

## FY16 Southside Economic Development Summaries & Staff Recommendations – December 2015

The Commission received eight new funding requests this fall for the available Southside Economic Development balances (FY16 budget plus funds carried forward from previous years). Project summaries provided by the applicants, staff comments and recommendations are included below for these new requests. Other Business regarding existing grants is also included.

Req #	Locality	Organization	Project Title	Allocation Available	Requested Amount	Staff Recommends
3128	Danville	City of Danville	Danville Advanced Manufacturing Precision Machining Laboratory	\$1,419,544	\$800,000	No further Action
3137		City of Danville	Project Nateo		\$500,000	\$500,000
3130	Dinwiddie	Dinwiddie County	Dinwiddie County Infrastructure Improvements	\$1,225,704	\$715,000	\$1,200,000
3080	Greensville	Greensville County	Wetland Mitigation Bank Engineering	\$42,865	\$40,500	\$40,500
3129	Halifax	Town of Halifax	Banister Lake Boat Landing – Southern Virginia Wild Blueway Project	\$2,088,188	\$78,800	\$78,800
3127	Prince Edward	Prince Edward County	Prince Edward County Industrial Access Road	\$49,080	\$49,080	\$49,080
3125	Sussex	Sussex County	Route 602 (Cabin Point Road) Sewer and Water Line Extension	\$797,551	\$290,073	VRA
3126	Regional	Mid-Atlantic Broadband Communities Corporation	Dynamic Spectrum Wireless Broadband Access for Southern Virginia: Phase One		\$200,000	\$200,000
<b>Total (8 requests)</b>					<b>\$2,673,453</b>	<b>\$2,068,380</b>

Note: The MBC proposal seeks funds, with the consent of the participating localities, from the following available allocations: Campbell County (\$11,624); Charlotte (\$95,381); and Halifax (\$92,995).

Note re: "VRA" - these projects will be sent to the Virginia Resources Authority for credit analysis prior to a future decision regarding a possible loan or loan/grant offer

## DANVILLE

### City of Danville

#### ***Danville Advanced Manufacturing Precision Machining Laboratory (#3128)*** **\$800,000 requested**

**Executive Summary Provided by Applicant:** The City of Danville, in partnership with Danville Community College, is creating a workforce development pipeline of medium-skilled advanced manufacturing workers to meet existing and targeted industry demand, as cited by the Boston Consulting Group report. One of Danville's business attraction strategies focuses on developing an extraordinary workforce training program in the area of precision machining, specifically in metal working. In order to meet the targeted number of workers, the workforce solution seeks to implement a new program that will provide a precision machining career pathway for high school students, adults, and incumbent workers that will lead to advanced training at Danville Community College. To support the rigorous coursework in this highly specialized field, Danville intends to build a new machining lab to increase program capacity and has determined that George Washington High School (GWHS) is the ideal location to meet the needs of this workforce development program.

**Staff Comments and Recommendation:** This project was submitted to the Southside Economic Development Program during the previous grant cycle in spring 2015 at a \$600,000 request level. That proposal was not recommended for funding by the Southside committee. The proposal is resubmitted in this grant cycle at a higher request amount of \$800,000. Matching funds would be budgeted by the City, presumably in the budget cycle for the next fiscal year. While the request is similar to a \$787,690 award in May 2014 under the Southside program that supported equipping a Precision Machine Technology Program at the Pittsylvania County Vocational Technology Center in Chatham (15 miles north from the proposed lab at G.W. High School), and while staff does not dispute that high schools provide a steady pipeline of prospective machining students, it has concerns about expectations being set for school systems across our region to receive funding for what are very substantial costs for equipping and operating similar labs in the public high school setting (staff has fielded inquiries for funding similar facilities in four other school systems in the Southside region). While the Commission did recommend funding of the precision machining lab at the Vo-Tech Center in Chatham, this was under the Pittsylvania County allocation which typically has very large balances, with limited other needs for the allocation; and it was made with the intention for this site being used to evaluate targeting of high school students in the high school setting. With regard to the proposed project, staff previously suggested that the project partners look at options to accommodate the Danville high school students at the existing precision machining facilities including on-campus at Danville Community College, Pittsylvania and nearby at IALR. The preferred model for high school students attending programs at the community college campus is one currently being used successfully by John Tyler Community College in collaboration with three tobacco region county school districts which provide student transportation services to the college campus. Staff notes that there are three existing precision machining labs in Pittsylvania County and the City of Danville, all of which DCC operates and/or is directly affiliated, and staff questions why equipping a fourth lab is essential at this time. While DCC indicates that the lab on their campus is

at maximum capacity with two cohorts; staff notes that the lab is not currently utilized in the evenings (in order to maximize use of the existing precision machining lab on the DCC campus, if accommodating high school students is a priority for the college, then there appears to be an option for moving one of the existing daytime cohorts to the evenings, opening up time during the day for the high school students). There is also a new precision machining lab at IALR, and while this is used for the Capstone program, it is unclear what efforts have been made to maximize the use of this lab and whether it may be used to accommodate the high school students. The application also indicates that current demand for precision machining positions is not being met and in order to evaluate this statement staff requested specifics on the unmet hiring needs. A list of 19 companies with needs for one to five positions was provided (~ 25 job needed numbers were noted and six companies indicated “multiple”); however, seven of these requests appear to have been prior to the spring 2015 graduations and it is assumed that some of these needs were met from students that previously graduated. Additionally, and of significant relevance, staff notes that the DCC program offerings recently increased from one to two cohorts, resulting in an increase from 25 graduates in the 2015 to 50 that are estimated in May 2016. While ~ 30 of these students are expected to continue their studies in the Capstone program, this does represent an annual doubling of students either entering and/or in the pipeline for entering the workforce within the next year. It is also noted that there will be 14 Capstone graduates in May 2016. The industry demand did not appear to give consideration to the additional students expected to be enrolled and graduating from the new precision machining lab at Patrick Henry Community College that is being funded by the Commission under the Phase 2 COE grant, and for which DCC was identified as a partner for this program. The information provided suggests that recent expansions in the precision machining program offerings and those that are currently in development will be sufficient to meet current industry demand; and until the region attracts a new major employer(s), there is concern that adding a fourth lab in the Danville-Pittsylvania area will lead to an over saturation of the market, with students unable to find employment. In recognizing the expansion of the precision machining programming and students in the pipeline at the three existing sites, and a fourth site in development at PHCC in Martinsville, there does not appear to be an urgent need for this facility, and at this time this request does not appear to be the highest and best use of available allocation (the City’s two current requests would leave only slightly more than \$100k in the allocation for the remainder of FY16). At such time as it can be clearly demonstrated that the current training facilities are not adequately meeting employer needs, this concept can be revisited in a future grant proposal. **Staff recommends no further action.**

## **City of Danville**

### ***Project Nateo (#3137)***

**\$500,000 requested**

**Executive Summary Provided by Applicant:** The City of Danville is requesting a \$500,000 TROF enhancement grant from the Danville Southside allocation for Project Nateo. Project Nateo is an industrial food processing manufacturing project committed to potentially invest \$15 million capital investment and provide 150 jobs over a five year period in the City of Danville. This request is designed to help improve the overall incentive package for the City of Danville which is competing with other states and localities for the location of this industrial prospect. This project does support the City of Danville Economic Development Strategic Plan which identifies the food processing industry as one of its target industries. Additionally it supports the River District

Redevelopment strategy identified in the Danville Economic Development Strategic Plan. To date the City has invested more than \$30 million of public investment leveraging more than \$100 million of private investment, a 3:1 return on investment.

**Staff Comments and Recommendation:** This is a late filed application that the Committee Chairman agreed to hear as it involves an active prospect for the City of Danville. The City is requesting that \$500,000 from their allocation be rolled into the \$930,000 TROF agreement from the Commission to attract an industrial food processing facility expected to result in 150 jobs and \$15 million private capital investment. The City is competing with a neighboring state for this project and a location decision is expected in the near future. The City proposes a location along the Dan River in the downtown area for this facility. As presented the company would commit to a \$7 million investment in equipment; and to a 25 year lease-to-purchase agreement with the City of Danville's IDA for the building which is estimated to cost \$8 million to construct. This agreement also places responsibility on the private company for paying local property taxes. The TROF, Southside funding, other matching funds, and any balance needed under a local bank loan to the IDA would be used for construction of a 50,000 building for food manufacturing with a hospitality area open to the public. By the nature of this business and its expectation to attract visitors from outside the area (estimated at up 3,000 per week), and a visitor demographic expected to participate in local recreational opportunities for extending their stay (and spending) in the region, this project is considered by the City to be transformative in nature for the downtown area. The cost estimate for the \$8 million building cost is based on \$160/square foot, accounting for both the building and the necessary site work, and was provided by a local construction contractor who recently completed a building in the same area with similar construction considerations. The project is well leveraged with other funding including the \$1 million value of the four acre site, \$2 million from the City's Industrial Enhancement grant program (\$200,000 per year over 10 years), \$200,000 from the Virginia Enterprise Zone program, a Commonwealth Opportunity Fund grant for which the amount is still TBD, and up to \$2 million from the Danville Regional Foundation for gap financing. **Staff recommends approval of \$500,000 to be transferred to the TROF Program to be added to the TROF incentive and performance agreement.**

## DINWIDDIE

### **Dinwiddie County**

#### ***Dinwiddie County Infrastructure Improvements (#3130)***

**\$1,200,000 Requested (increased from \$715,000)**

**Executive Summary Provided by Applicant:** The County requests funds for up fitting of a water line and to provide a pump station and force main that will be necessary to provide adequate water and sewer capacity to an industrial site for Project Minecraft. The up fitting of the water line will also aid in future industrial development along the Route 1 and Route 460 corridor of the County.

**Staff Comments and Recommendation:** This project was received after the announced deadline, again to accommodate an active economic development prospect. It was originally proposed to

provide off-site water and sewer infrastructure to serve the privately owned Patton Commerce Park, in order to meet the needs of the prospect, Project Minecraft (200 jobs @ \$49,018 average wage rate and \$57 million capital investment); and also providing additional water capacity for future development elsewhere on the Patton property and along Routes 1 and 460. This included 5,500 linear feet of 24" waterline; and a wastewater pump station and 4,100 linear feet of 4" sewer force main. Total build out of the private industrial park requires a 16" waterline (estimated to cost \$1.11 million) and the Dinwiddie County Water Authority is requiring a 24" waterline in order to meet other future development needs on the Patton property and south of the industrial site along Route 1 and 460. A letter from the private developer confirms his agreement to commit \$1.2 million of proceeds from the sale of land for Project Minecraft toward the cost to bring water and sewer to the industrial park. Total estimated costs for the water and sewer infrastructure is over \$2 million (\$1.46 million for water and \$621K for wastewater). While the original request was to support water and sewer infrastructure costs, recognizing that these are revenue generating utilities and that the proposed infrastructure was to accommodate not only the industrial use at the Patton Property but also plans for mixed use retail and residential development and future service to the Village of Dinwiddie further down Route 1, the County has since made a change in the request to the Commission. The revised request is for an increased amount of \$1.2 million to support the property acquisition costs at \$40,000 per acre for the 30-acre industrial project site. The County has identified match for the Commission grant to include \$650,000 from the VDOT Access Road program, \$350K of local funds toward access road and offsite infrastructure, \$2.4 million from private funding for infrastructure development to the site, in addition to the company's \$57M investment. The preliminary TROF estimate for Project Minecraft is \$930,000 and the initial COF is estimated at \$600,000. The County has clarified their intentions to provide the property at no cost to the company; and has agreed to staff's suggestion that the funding could be rolled into the TROF performance agreement, with the local government requiring it to be used for the land acquisition, as a mechanism for requiring performance measures in order to protect the Commission's investment. **Staff recommends an award of \$1.2 million to be transferred to the TROF program for administration under the TROF performance agreement, conditioned on Project Minecraft choosing to locate at the Patton Property and the County requiring that the Southside Economic Development grant funding be used toward costs for the land acquisition.**

## GREENSVILLE

### **Greensville County Wetland Mitigation Bank Engineering (#3080) \$40,500 requested**

**Executive Summary Provided by Applicant:** A majority of economic development projects in southside Virginia require the Army Corp issue a permit allowing wetlands to be disturbed. The permit requires localities to purchase wetland credit at a 2:1 ratio. Currently there is only one wetland mitigation bank in the watershed for Greensville County, the City of Emporia and Mecklenburg County. Being the only bank, the credits are sold for over \$65,000/acre. Preliminary engineering has estimated a 50 acre bank can be built for just over \$36,000/acre, saving approximately \$1,450,000. The County requests \$40,500 to complete engineering of a RIFA owned wetland bank.

**Staff Comments and Recommendation:** County staff identified current needs for a wetland mitigation bank at over 62.1 acre credits including 49 for full buildout at the MAMAC site, 13.1 credits for a county reservoir, and additional credits needed for water/sewer lines in the City of Emporia and the County that will be serving the MAMAC and Dominion power plant properties. The proposed area for wetlands creation consists of flat open farm fields that are immediately adjacent to a large forested wetlands complex; with soils that are hydric or nearly hydric, which is suitable for wetlands creation. The County also indicated that the Army Corps of Engineers has been to the site and did not offer any objections. The County has entered into an option agreement valid through August 31, 2016, to purchase the property for \$14,000 per acre; and giving the County rights to purchase more or less acreage depending on results of the study. Staff notes that the \$14,000 per acre purchase price seems rather high for farm acreage that would become undevelopable property; and the County has stated its expectation for Commission funding to be used for this (presumably from the Megaprogram). Nonetheless, Commission staff has encouraged the development of publicly-owned wetlands banks, and the County is to be commended for pursuing this option, which ultimately is expected to be less than costs for purchasing wetland credits on the open market. **Staff recommends an award of \$40,500.**

## **HALIFAX**

### **Town of Halifax**

***Banister Lake Boat Landing – Southern Virginia Wild Blueway Project (#3129)***  
**\$78,800 requested (reduced from \$133,000)**

**Executive Summary Provided by Applicant:** The Town of Halifax is seeking funding from the Tobacco Commission in order to rehabilitate the existing boat ramp at Banister Lake, a recognized attraction on the Virginia Birding and Wildlife Trail, which located off US Highway 501 in Halifax County. It has been in use for over 40 years as a popular boating and fishing destination. However, it is in need of significant repairs, upgrades and enhancements, in order to successfully promote EcoTourism in the region. This project will serve as Phase I of a Multi-Phase process of constructing 3 Put-Ins/Take-Out Canoe/Kayak Facilities listed in Roanoke River Basin Association - Upper Reach Blueways Master Plan: Banister River, Terry's Bridge & Wolftrap facilities, with the later two facilities to be designed and constructed at a later time.

**Staff Comments and Recommendation:** The scope of the project supports a portion of the costs for rehabilitation of an existing motor boat ramp and the addition of a second non-motorized launch specifically designed for canoes and kayaks. The request is based on the Town's involvement in a multi-locality regional initiative to develop blueways (canoe/kayak water trails) in order to attract visitors to the region. The location of the launch is to provide access on a section of the 63.3 mile Banister Scenic River Corridor, designated as a state scenic river that starts in Pittsylvania County at US 29, includes the Banister Lake section of the river and continues to the confluence with the Dan River. The Commission supported the regional Southern Virginia Wild Blueways initiative in its early stage of development under a 2011 Special Projects grant for \$185,250 to the Roanoke River Basin Association that provided funding for mapping of blueways, design and construction on three

canoe/kayak launches, interpretive signage at numerous sites, and development of a set of metrics for assessing tourism impact. In this very short timeframe since that first grant this initiative has been recognized nationally and regionally, and the request from the Town is to continue development of a priority site to be marketed to visitors. The Town received a \$90,000 grant from DGIF to support the then estimated costs for \$134,000 for rehabilitation of the facility; however, construction bids came in substantially higher than the budgeted funds. While the original request for \$133,000 included costs attributed to both the motor boat and the non-motorized canoe/kayak launch, TRRC staff asked the Town to revisit the budget to identify only those costs associated with the non-motorized launch, which would be consistent with costs previously supported by the Commission. A revised detailed budget has been provided for a reduced request amount of \$78,800. The revised budget included \$8,000 for the interpretive blueway signage which was left out of the original request in error. The revised budget to cover the \$274,000 total project cost includes \$38,000 cash match from the Town, in addition to the \$90k DGIF funding, and plans to pursue other grant and private donations for the balance of funding needed. A 2014 Economic Impact Assessment for the Roanoke River Basin, developed and implemented under a contract with Virginia Tech, used targeted survey responses to identify that the 1,227 individuals paddled 3.4 times per year, spending an average of \$225.47 per person per day. Staff views the blueways development as a unique tourism asset for the region with the potential to draw national and international visitors to the region, and this request is well-aligned with that regional initiative. **Staff recommends funding of the revised request of \$78,800, for the detailed costs presented as associated with the non-motorized boat launch.**

## **PRINCE EDWARD**

### **Prince Edward County**

#### ***Prince Edward County Industrial Access Road (#3127)***

**\$49,080 requested**

**Executive Summary Provided by Applicant:** In 2008, Prince Edward County received a Southside Economic Development Tobacco Commission grant to help pay for the development of 4 "Ready-to-Go" pad sites. The County was awarded \$193,510; Prince Edward contributed \$507,490, and the IDA of Prince Edward paid \$61,000 towards this project. One lot has been sold to VDOT for their new Regional Office, 2 lots are currently under option consideration, leaving only one lot available. To gain access to the remaining undeveloped land (60+/- acres) within the Prince Edward Industrial Park, the County needs to construct a new access road. On September 23, 2015, the Commission awarded the Industrial Park Access Road Project \$328,395 in a Special Projects grant.

**Staff Comments and Recommendation:** This project requested \$475,000 under the Commission's FY16 Special Projects Program and received an award of \$328,395. This request, for the full balance available in the Prince Edward County allocation, is to support this same project estimated to cost \$1,058,650 for construction of an access road into the Prince Edward County Industrial Park in order to support two existing county businesses with expansion opportunities. The Commission's grant funds will be used to match VDOT Access Road funds and cash

contributions by the County for construction of a new road within the park to serve Lots 7 A/B and Lot 11. An existing business plans to expand to Lots 7A/B investing \$2 million and creating more than 25 jobs; and a second company that is currently renting a space elsewhere in the County and having recently created 80 jobs, is interested in relocating to Lot 11 with plans to invest an estimated \$2 million and an additional 20-30 jobs. Construction of the road requires moving dirt from Lot 11, which would provide a secondary benefit for assisting with a portion of the site development costs for this lot and the access road. The access road will also result in the back portion of the industrial park being made accessible for future development opportunities. During the review of the Special Projects application, the County provided staff with a \$680K estimate for Lot 11 site grading and expressed that the Prince Edward County IDA is committed to covering any portion of these costs not covered by grant funds in order to accommodate the second prospect. The majority of site development costs for Lot 7 A/B have already been completed making the site ready to accommodate expansion for the existing business in the park once access is addressed. The Commission provided a \$193,510 grant to the County in 2008 which covered preliminary engineering cost for development of three lots in the park. This project supports previous Commission investments and is likely to result in significant new private investment and job creation. **Staff recommends award of \$49,080.**

## **SUSSEX**

### **Sussex County**

#### **Route 602 (Cabin Point Road) Sewer and Water Line Extension (#3125) \$290,073 requested**

**Executive Summary Provided by Applicant:** Sussex County desires to extend water and sewer service mains to the Route 602 (Cabin Point Road) Industrial Park, consisting of approximately 156 acres, located at the intersection of Route 460 and Route 602. Proposed improvements include approximately 3,600 linear feet of 6-inch diameter sanitary sewer force main and approximately 760 linear feet of 12-inch diameter waterline. A permanent 30 foot wide utility easement will be obtained by Sussex County for the installation and maintenance of the proposed utilities on the north side of Route 460. Bores under Route 460 and 602 will be required for the sanitary sewer force main and water main extensions. Erosion and sediment control measures will be constructed and maintained as required and in accordance with the Virginia Erosion and Sediment Control Program. Engineered plans have been completed and approved by all regulatory agencies. Bid specifications and contract documents are currently being prepared and finalized.

**Staff Comments and Recommendation:** The Commission provided a \$552,293 grant to Sussex County in 2011 to support site development costs for the 156-acre Cabin Point Road Industrial Park. In 2014 the county requested a fourth year extension and repurposing of the grant to support engineering and construction costs for the water and sewer infrastructure to serve the property. At that point, given the limited time during a fourth year extension period to complete the proposed work, Commission staff approved repurposing of \$84K in funding for the engineering only, with the remaining \$467K on the project account being de-obligated, and suggesting that the County could reapply with a new proposal for the scope for work relating to the construction of the water and

sewer infrastructure, which is reflected in this application. The Virginia Gateway Region, a regional economic development marketing group that serves Sussex County has identified the lack of infrastructure as a primary reason why the Cabin Point Road Industrial Park, owned by the County since 2006, has not been successful in attracting a prospect. TRRC staff would note that the park property remains in an unimproved state that may be a greater hindrance to a potential prospect's development timeline, and that at least partial clearing/grading of the property may be a more effective means of attracting industrial prospects (albeit permitting for speculative development may be problematic). With close highway access to U.S. Route 460, the availability of natural gas, electricity, and broadband fiber, the primary remaining off-site infrastructure need for the park is the water and sewer. Under the proposed project the lines are designed for providing 120,000 GPD water supply; and a maximum of 700 GPM sewer flow velocity (a sewer pump station would still need to be designed and constructed once the user is determined). The design capacities are intended to accommodate a manufacturing or warehouse/distribution company as these are targeted for this park. Construction of this infrastructure is considered speculative development to meet the needs of a future prospect; and the County has confirmed that there are no existing customers that would be connected to these lines and therefore, there are no new cash revenues until a prospect is attracted to the industrial park. In comparison, Sussex County rates for water and wastewater are lower than the median rates across the Commonwealth: \$20 verses \$29.80 for water per 5,000 gallons for residential water, and \$4,000 compared to \$5,065 for non-residential per 1 million gallons water usage; and \$34 versus \$41 residential wastewater per 5,000 gallons, and \$4,000 compared to \$6,633 for non-residential wastewater per 1 million gallons. This suggests that the Service Authority may have capacity to increase rates in order to finance water and wastewater improvements. However, it is also noted that Sussex County is rated as having Above Average fiscal stress (based on 2013 index). **Staff recommends the County work with VRA to evaluate financing options for the requested improvements, or alternatively, to consider re-applying for site grading costs.**

## REGIONAL

### **Mid-Atlantic Broadband Cooperative, Inc.**

#### ***Dynamic Spectrum Wireless Broadband Access for Southern Virginia: Phase One (#3126)***

**\$200,000 requested**

**Executive Summary Provided by Applicant:** MBC and Microsoft have agreed to partner on the design, deployment and operation of an innovative wireless broadband access network in Southern Virginia. MBC will operate this network as an open-access wholesale wireless network. MBC has partnered with the K-12 School Districts in Halifax and Charlotte Counties to act as the hub sites for this network. Content delivery of educational and job training resources will be provided at no cost to network customers. Commercial Internet services will be available from private sector ISP's that are connected to MBC's network.

**Staff Comments and Recommendation:** This project was submitted to the FY16 Special Projects Program requesting \$500,000, and a reduced award amount was approved at \$300,000 to support

construction of six mast/towers. This award was made contingent on the localities agreeing to seek Southside Economic Development and/or other non-Commission funds for the \$200,000 non-funded costs for the base stations, customer premise equipment and related costs for broadband access equipment within each locality. All three counties benefiting from this pilot project have agreed in writing to Southside program funding being used to support costs for the TV white space equipment which is calculated as \$11,624 for Campbell County, \$92,995 for Halifax County, and \$95,381 for Charlotte County. A primary outcome of this project is the provision of broadband access to areas not currently served and those areas lacking affordable access; and is driven by an innovative model of free access to educational content. The project will utilize unused broadcasting frequencies called TV White Spaces which are gaps left between broadcast channels to deliver wireless internet access. Through existing or to be installed towers at sixteen locations primarily in Halifax and Charlotte Counties (one location in Campbell County), the project is expected to reach over 10,000 households and 235 registered businesses. The commodity internet portion of the project will tie in directly with MBC's retail ISP providers; and MBC has clarified that it does not compete with existing DSL, 4G/LTE, cable modems or other wireless ISP services. Total capital expenditures are estimated at \$1,419,200 which is to be covered by the Special Projects grant and this request, and their required matches including \$250,000 each from MBC and Microsoft, as well as ~ \$320,000 from an available balance in an existing MBC grant (#2467), with the remaining capital costs being covered by MBC. This project provides the affordable last mile service that many government officials and residents have decried for years was not accomplished by the Commission's initial investments in broadband, and will demonstrate the innovative educational access model referenced above. If the project is successful, future requests to the Commission to expand to other areas of the tobacco region are anticipated. **Staff recommends a grant award of \$200,000, comprised of proportionate funding from three county allocations based on the locations for the TV white space equipment: Campbell County (\$11,624), Halifax County (\$92,995), and Charlotte County (\$95,381). Staff is also recommending approval of a fifth year extension and repurposing of available funds under TRRC #2467 to support capital costs for the project (see details under Other Business).**

## OTHER BUSINESS

### Town of Chatham

#### *Chatham Water Treatment Plant Improvements (#2967)*

**\$437,075 requested – Tabled application requested to be reconsidered.**

This application was submitted to the fall FY15 Southside grant cycle. It was tabled by the Southside committee to allow time for the Town to pursue other avenues of funding, specifically VRA and USDA. A news article from August 30, 2015 indicated the Town was proceeding with the water system upgrades. In September the Town requested that the request be reconsidered for funding by the Commission. The Town clarified that they did approach VRA and were denied due to their low water rates. Likewise, the Town received a similar response from USDA, as they were advised that in order to qualify for a grant the Town would be required to raise water rates by 12.6%. The Town

has awarded a construction contract to Haymes Brothers which is currently on-hold pending permit approval from DEQ. As the project has already been denied by VRA due to the Town's inability or unwillingness to raise rates, it makes little sense to redirect this project to VRA. Given that the Town has already committed to a construction contract **Staff recommends no further action on this proposal.**

*The information pasted below is provided for reference and includes the executive summary from the original application, and includes the committee recommendation from the December 10, 2014, Southside Economic Development Committee Meeting.*

**Executive summary provided by applicant:** The Town of Chatham treats and distributes potable water to industry, commercial and residential customers. The water system suffers from drought management issues from unregulated releases of the Cherrystone and Roaring Fork Reservoirs. Water from these Reservoirs flows into Cherrystone Creek which is the sole raw water supply source for the Town. There is no capability to monitor and automatically regulate the releases of water from either reservoir. Additionally, there is no means to release water from Roaring Fork Reservoir during drought. The Town wishes to make necessary improvements at both reservoirs and replace the intake structure at the WTP. The goal of this project is to address the current needs of the Town's water supply system during times of drought. Current infrastructure has become unreliable at offering continual supply of source water to the WTP due to limited operational flexibility at the reservoirs and advanced deterioration of the WTP intake structure. This is a greater concern during periods of drought. To meet minimum flow requirements in Cherrystone Creek mandated upon installation of a new intake structure, the availability of water will be further decreased. This condition in combination with a critical drought will result in severe water shortage. Drought control will be provided by incorporating monitoring equipment at Cherrystone Reservoir outfall structure, and sluice gates with automatic gate valve actuators to control releases via the existing SCADA system to match minimum instream flowby requirements for aquatic protection and minimum release for operation of the WTP. A lower level sluice gate with a manual gear valve actuator will be added onto the Roaring Fork outfall structure to access storage during drought. The existing intake will be replaced with a t-screen equipped with an air burst cleaning system. Repairs to the downstream check dam will also reduce excessive seepage. A reliable raw water supply is critical for retaining and creating new jobs in the area. Industry and commercial businesses in this area are highly dependent on uninterrupted water service. Given the new regulated flowby requirements that will be imposed on the Town upon replacement of the intake structure, this project will provide increased assurance that water demands during the next serious drought will be met.

**Staff comments and recommendation:** Funds are requested to support 50% of \$874,150 project costs for water system improvements to address drought supply planning. This total includes \$205,150 for reservoir improvements providing for ability to access additional water storage during times of drought, \$499,422 for replacement of the raw water intake structure identified to be past the useful life (90 years old), and \$169,578 for Contractual costs including engineering. The Commission provided a \$489,872 grant to the Town in May 2011 supporting improvements to the Water Treatment Plant to address compliance issues related to reliability and safety issues of the treatment process. The Town has identified that its water treatment plant currently operates well below its 1.4 MGD permitted capacity due to system limitations. Based on newly imposed flowby

requirements by DEQ modeling estimates identify ~ 0.65 MGD safe yield, without making improvements, providing 0.45 MGD current production volumes and 0.20 reserve capacity. The requested improvements would provide for 0.80 to 0.90 MGD reserve capacity addressing drought supply planning for existing customers and providing available capacity for future development. The Town identified that industrial and commercial customers, employing over 850 persons in the area, account for 75% of the current water usage. The application points to the 300-acre undeveloped Cherrystone Industrial Park as being within the water systems service area and the additional capacity being necessary in order to serve this park. Supplemental information from the Town also identified recent interest in development of agricultural businesses near the Olde Dominion Agricultural Complex, with high water demands that, along with other potential user demands, are expected to exceed the stated reserves. Current rates for a typical 5,000 gal/month user in the Town is \$23.75 (the last rate increase was in May 2013), compared to \$28.34 average water rates published in the *Virginia Water and Wastewater Rate Report 2013* by Draper Aden Associates. Based on the FY13 annual financial report, the Town's outstanding debt on water and sewer is at \$1.6 million (the majority of which is scheduled to mature in 2033); and the Town has identified that existing reserve accounts to support water and sewer system costs have a balance of \$689K. The Town clarified that a loan application has not yet been submitted to the USDA, as they are working with a number of lenders to establish the most desirable loan package depending on available grant funds. While replacement of the raw water intake structure appears to be a cost that should be budgeted locally for replacement for maintaining the current system infrastructure, the costs for the improvements to the reservoir directly relate to increasing available capacity to serve future industrial users. At the December 2014 committee meeting, staff recommended an award of \$205,150 to support the improvements to Cherrystone and Roaring Fork Reservoirs as described in the PER. **The committee recommended the application be Tabled to allow time for other financing options to be explored including VRA and USDA.**

## **Town of Boones Mill**

### ***Industrial Development Project (#2308)***

#### **\$100,000 award, end date of 1/10/2016 – 12-month extension requested**

This grant awarded in January 2012 provided funding to complete a site master plan and supported demolition and structural renovations for development of the Boones Mill Industrial Park on the northern end of Franklin County. This 62-acre rail-served site, purchased by the Town in 2011, was previously the manufacturing facility for North American Housing Corporation. The Town has steadily made progress on redevelopment of the property, and through some transitions in Town management, has demonstrated frugal usage of the available grant funds, and in many cases have used their own limited staff resources for demolition and clean-up. The Commission awarded a second grant of \$238,280 in January 2015, for renovation costs to the large manufacturing building on the property in order to accommodate two active prospects. The Town's consultant and recently hired Town Manager have continued to work with Commission staff toward accomplishing their goals for the site. In recent months the Town has contracted with an A&E firm on the design of utility upgrades to serve the site; and with another A&E firm for basic documents necessary to be able to issue a design/build RFP for the building renovations. A balance of \$31,131.05 is remaining

in the project account for grant #2308, and the town has provided a detailed timeline for the work that is planned. The balance on the project account will be used to support the mentioned A&E costs and the resulting utility improvements, and any funds remaining after these costs are covered will be put toward the larger building renovation contract. **Staff recommends approval of a one year extension to January 10, 2017.**

### **Mid-Atlantic Broadband Cooperative, Inc.**

#### ***Southern Virginia Broadband Expansion (#2467)***

#### **\$2,500,000 award - Repurpose and extension approval requested**

This grant was awarded in January 2012, at a time when the Commission was budgeting funds annually to the Economic Development program to support regional broadband expansion projects. The original project focused on implementation of infrastructure projects to extend availability of broadband to unserved communities, leveraging of private sector investments, and incorporating new technologies for a test-bed project. When the opportunity was presented for establishing a Genome Sequencing Center in Southern VA, the Commission approved in September 2012 for \$1,000,000 from this grant to support the Genome Center. In May 2014, when the Genome Center did not come to fruition, this funding was transferred back to #2467, to support several identified capital improvement projects including tower construction. Construction of two of these towers, Montvale in Bedford County and Saxe in Charlotte County, has been delayed and MBC is requesting an additional six months to complete this work. Additionally, MBC has requested that the Commission allow for any balance remaining in this grant to be reallocated to support capital costs for the new project for Dynamic Spectrum Wireless Broadband Access for Southern Virginia, that received a \$300,000 Special Projects grant award in September 2015, and for which funding from three Southside allocations is requested in the current grant cycle (#3126). This added scope of work will require additional time for project completion. **Staff recommends approval of a one year extension to January 10, 2017, and approval for of any remaining funds to support the Dynamic Spectrum project.**

### **Town of Farmville**

#### ***Regional Aquaculture Processing Facility (#2972)***

#### **\$194,000 award – Extension requested on the time-limited contingency.**

This grant was approved for funding in January 2015, contingent on the Town engaging an engineering firm to address site development requirements including wetlands delineation, geotechnical assessment of soil suitability, stormwater management, etc.; and contingent on the Town securing financing no later than September 1, 2015 for construction of the building. Whereas the original proposal identified a 10,000 square foot facility, during the initial review process, the Town provided a revised contractor quote for construction of a 4,750 square foot facility estimated to cost \$500,000, and a gap of \$306,000 in funding for construction of the building that had not been secured and no funding identified to support A&E or site development costs. This grant award

directly corresponds to a \$200,000 Agribusiness grant award, also from January 2015 that included a contingency related to 50% equipment funding and funds needed to construct the facility being committed by September 1, 2015. The time-limited contingency on this grant has not been met; and no additional funding toward construction of the building has been secured. The Town also indicates that no progress has been made on the engineering and that they are now looking into different building/site options. Other comments shared in response to an update requested by Commission staff indicate that there needs to be a “slower approach... before investing in a new facility”, “validation of proof of concept is still needed”, the size of the facility is still TBD, and that information has not yet been received to be able to calculate the breakeven point or an analysis of the ability of local farmers to produce enough product to sustain a facility. All of these points and the inability to secure additional financing suggest the original award was made prematurely, and staff suggests the applicant can reapply at a later date when planning for this facility has been completed. **As the time-limited contingency has not been met per the terms of the grant agreement, the grant will be rescinded. Staff recommends no further action.**